SESSION 4 OF 4 · SAVING & INVESTING

Saving keeps money safe. Investing grows it.

You've learned to spend on purpose, budget, and let interest work for you. The final piece is knowing the difference between **saving** and **investing** — two different jobs, two different amounts of risk — and how a simple **index fund** lets you invest without betting everything on one company.

Two jobs for your money

Saving
Money kept safe and easy to reach — a bank account or a piggy bank. It barely grows, but it (almost) can't shrink. Perfect for goals soon or for emergencies.

Investing
Putting money into something that can grow more — like an *index fund* (a basket of many companies at once). It can go up or down in the short run, but over many years it has grown the most. For goals far away.

Neither is "better" — they're for different jobs. You **save** for the trip next summer. You **invest** for a goal that's years and years away, so time and compounding can do the heavy lifting.

Risk and return: the trade-off that runs everything

Here's the rule the whole money world runs on: **the chance of a bigger reward comes with a bigger chance of loss.** That pairing is called **risk and return**. Safe things grow slowly; things that can grow fast can also drop. Anyone promising huge rewards with zero risk is not telling the truth.

LOWER RISK **Savings account:** your money is safe and grows slowly — a guaranteed little bit of interest.

MEDIUM **Index fund:** a tiny slice of hundreds of companies at once — it can rise or fall, but spreading out lowers the risk.

HIGHER RISK **Betting on one company:** the riskiest choice — which is exactly *why* spreading your money across many is smarter.

The smartest first step: an index fund

You've heard "don't put all your eggs in one basket." That's exactly what an **index fund** does for your money. Instead of picking one company and hoping, a single index fund spreads your money across **hundreds of companies at once**. If a few do badly, the others carry you — so one bad pick can't wipe you out. It's the calm, sensible way beginners (and most experts!) invest.

DON'T PUT ALL YOUR EGGS IN ONE BASKET

Spreading your money out is called **diversifying**. An index fund does it for you automatically — one purchase, hundreds of companies. That's why it's the safest way to start investing, and where a smart beginner puts their money before anything fancier.

CHECKPOINT

Match each goal to **saving** or **investing**, and say why:

(a) A concert in 3 months. (b) Money you might need for an emergency. (c) A first car in 6 years. (d) Retirement, 45 years away.

Practice with fake money — no risk at all

You've finished the unit! Now try it for real (without real money). At `travisvaluation.ca` you can put some pretend money in a **savings account** and some in an **index fund**, then watch how saving and diversifying grow your money over time — exactly what you just learned.

Curious how the pros pick *individual* companies? That's the next step — you'll learn it in the high-school program.